High-Income Returns, 1983

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Although only a small number - representing only a tiny fraction - of Federal individual income tax returns reporting incomes of at least $200,000 do not show any tax liability, the actual number of such returns and their share of all high-income returns rose dramatically for 1983. As measured by adjusted gross income (AGI), the number of high-income returns not showing any income tax liability to either the United States or a foreign government increased by 194 percent, from 109 in 1982 to 321 for 1983. From 1982 to 1983, the proportion of all high-income returns that were nontaxable rose by 153 percent, to 0.162 percent of all high-income returns. Although precise increases varied depending on the definitions of income and nontaxability used, increases in the numbers and frequencies of nontaxable, high-income returns for 1983 were significant regardless of definition [1].

Actual numbers of nontaxable, high-income returns for 1983 reached the highest levels in recent history. Their proportion continued, at an accelerated pace, the steady upward creep occurring since 1979.

This article is part of a continuing series of reports summarizing the characteristics of high-income returns and the numbers of nontaxable, high-income returns since 1974.

The Tax Reform Act of 1976 required annual publication of data on individuals with high incomes as defined under four different income concepts, including the number of such individuals who did not pay any income tax and the importance of various tax provisions in making those individuals nontaxable [2]. Reports covering 1974 through 1976 and including the basic data and analyses of their implications were published by the U.S. Department of the Treasury's Office of Tax Analysis [3]. To make high-income data available to a wider audience, since 1979 selected data for high-income individuals, taxable as well as nontaxable, have been published, without analysis, by the Internal Revenue Service in separate chapters of each year's Statistics of Income--Individual Income Tax Returns [4]. Publication of the 1983 data in the Statistics of Income Bulletin provides more scope for discussion of the data and of the implications of any changes.

This article is divided into four sections. The first, "Income Concepts: A Primer," describes and explains the differences between the two major and two minor concepts used to measure income. The second, "Measurement of Taxes," discusses the proper measurement of income tax burdens and explains the different treatment of the foreign tax credit, outlines the methodology used to equate the importance of exclusions and deductions as compared with tax credits, and reviews certain limitations in the data underlying this article. The third, "High-income Tax Returns for 1983," describes the contents of the data tables accompanying this article and includes selected observations about significant changes from previous years. The Fourth, "Increases in Nontaxable, High-income Returns, 1983," discusses some possible reasons for increases in the numbers of nontaxable, high-income returns for 1983.

INCOME CONCEPTS: A PRIMER

Economic Income, the Ideal Measure

High-income tax return data are published to help analysts assess the equity of the income tax system and its impact on high income families and individuals. For this purpose, both income and income taxes must be measured accurately.

Economists generally agree that for analyzing the impact of taxes, the ideal measure of income over a particular period of time, say a year, is the value of what the individual or family consumed over that period plus the change, if any, in its net worth [5]. For example, if during a year a family spent $10,000 and saved $2,000, economists would say the family had an income of $12,000. Similarly, if the family spent $10,000 but owned an asset such as an auto-

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mobile that has decreased in value by $1,000, economists would say that the family had an income of only $9,000.

A brief examination of the differences between income as defined by economists, often called economic income, and the adjusted gross income (AGI) concept, currently used for Federal income tax administration, illustrates some of the problems of measuring income, especially for high-income individuals.

Adjusted Gross Income

The concept of adjusted gross income was developed for tax administration. It was never meant to be an accurate measure of so-called economic income. Indeed, it is well recognized that AGI is deficient as a measure of economic income. AGI excludes certain types of income, such as interest from tax-exempt state and local government bonds, Social Security benefits, imputed rent on owner-occupied housing, and the value of many employee fringe benefits. Also, while not strictly excluded from AGI, income from other activities is deferred to a later year, or indefinitely, for income tax purposes. Depreciation deductions allowed for income tax purposes that exceed the decrease in the economic value of an asset often reduce AGI below economic income early in an asset's life. The resulting lower depreciation deductions in later years may raise AGI above economic income. The net effect, however, of accelerated depreciation is to postpone taxes, perhaps indefinitely [6].

Adjusted gross income excludes most changes in net worth, such as the excluded portion of realized long-term capital gains and all accrued, but unrealized, capital gains [7].

Even though some types of income are excluded, AGI may overstate economic income because some expenses incurred in the production of income are not deductible in the computation of AGI. Most of these expenses, however, are deductible from AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions. Expenses falling into this category include certain expenses incurred by employees (such as union dues and expenditures for items used on-the-job but not reimbursed by the employer) and expenses attributable to a taxpayer's investments (as opposed to active operation of a trade or business), including, but not limited to, interest expense incurred in connection with investments in securities. Although net capital losses reduce economic income, only the first $3,000 of net realized capital losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years. Moreover, only 50 percent of realized, net long-term capital losses may be deducted in computing AGI.

Redefining Income

Ideally, the impact of all taxes should be measured relative to economic income. However, no accurate, detailed data on such a broadly-defined income measure are available from income tax returns (or from any other source) for a cross-section of American taxpayers. As a practical matter, any broad income measure must be calculated from data already available from Federal individual income tax returns. Thus, a more comprehensive income measure must start from AGI and, to the extent that data are available, must make adjustments for omitted income items and expenses that ought to be deductible in calculating economic income [8].

Omitted Income and Accelerated Deductions

Tax returns contain information about only a portion of the income included in economic income but excluded from AGI. The omitted income that can be identified on tax returns consists of the excluded portion of long-term capital gains (and current-year losses in excess of currently deductible amounts), the dividend exclusion of up to $100 per tax return (up to $200 on joint returns), the "all-savers" interest exclusion, payments to Keogh and IRA pension savings plans, and income from sources considered to be tax preferences for purposes of the alternative minimum tax. For 1983, unless such preferences were large enough to result in payment of alternative minimum tax, taxpayers did not have to file Form 6251 (Alternative Minimum Tax Computation), and the total amount of most types of 1983 preference income is not known [9].

Even after including preference income which is not in AGI but which is identifiable on tax returns, several major sources of income for high-income taxpayers are still omitted:

- Interest on tax-exempt state and local bonds;
- All accrued but unrealized income, primarily unrealized capital gains;
- Certain agricultural expenses deducted when paid, even though related income items are not includable in income until a later year;
- Imputed rental income from owner-occupied housing and from consumer durables;
- Straight-line depreciation deductions on real estate to the extent that they exceed economic depreciation;
- Income "sheltered" from taxation -- primarily partnership income -- through deferral of the recognition of income

for tax purposes and/or the acceleration of deduction items; and

- The value of employee fringe benefits [10].

For real estate, the combination of a shorter life for tax purposes than the true economic life of the property and the use of accelerated depreciation methods may produce tax depreciation deductions exceeding economic depreciation, especially in the early years of ownership. In the future, income may be correspondingly higher, but in the meantime, the taxpayer has had the interest-free use of the deferred taxes. Also, if taxed in the future, the income may be converted into a long-term capital gain, which is taxed at a lower rate than is ordinary income.

Because income sources not identifiable from tax return data are excluded, all income measures used in the data for this article may understate economic income. As a consequence, some individuals with high economic incomes may have been omitted completely from the high-income group covered by this report. Moreover, even for individuals who are included, the income of some has been understated, and tax as a percentage of income (i.e., the effective tax rate) has been overstated.

Investment Expenses

In measuring economic income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments. Since economic income would include all investment income, including accrued capital gains and losses, it would be proper to deduct all investment expenses without limit. Investment expenses in excess of income would then represent net economic losses, roughly akin to "net operating losses" from a trade or business. However, such a liberal deduction for investment-related expenses is not necessarily correct when all income items have not been included currently.

If all income has not been included currently, full deduction of investment expenses might represent a mismatching of receipts and expenses and might result in understating income. For example, if a taxpayer borrowed funds to purchase securities, net income would be understated if the taxpayer deducted all interest payments on the loan but did not include as income any accrued gains on the securities. A similar mismatching of income and expenses would occur if investment expenses that should properly be capitalized were deducted when paid. In these instances, a more accurate measure of income might be obtained by postponing the deduction of the expense until such time as the income were recognized for tax purposes.

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and non-income-producing assets, such as a vacation home or yacht. It is not possible to determine what portion of the interest expense should be attributed to taxable income-producing assets and, therefore, ought to be deductible against the gross receipts from such taxable assets.

As a result of these problems, it has been necessary to set arbitrary limits on the amount of investment expenses which are deductible in calculating a broader measure of income.

Investment expenses that have not been deducted in determining AGI generally appear on a Federal individual income tax return in two places. Investment interest appears as part of the itemized deduction for interest; other investment expenses such as management fees are included in the miscellaneous category of itemized deductions [11]. To determine expenses that should be deductible in calculating an approximation to economic income, investment expenses have been defined as the entire interest deduction other than the interest paid on a home mortgage. Other investment expenses could not be determined since they could not be separated from the remainder of "miscellaneous deductions." Hence, they have not been used in the adjustment for investment expenses.

To the extent that interest expenses do not exceed investment income, they have been allowed as a deduction in the computation of a broader measure of income. One consequence of this definition is that investment expenses can never turn positive investment income into investment losses. Generally, allowing investment expenses to offset all investment income is generous and tends to understate broadly measured income. However, in some instances, limiting investment expenses to investment income may overstate income by disallowing genuine investment losses. This arbitrary procedure has been selected because, with the omission of accrued capital gains from measured income, allowing all investment expenses to be deducted would represent a mismatching of income and expenses.

The amount of investment income against which investment interest can be offset depends on the amount of investment income included in the income measure under consideration. Investment income consists of interest, dividends, and net capital gains (or losses). However, if only a portion of capital gains are included in the income concept, as is the case with AGI, then only that portion is considered to be invest-

ment income. A similar adjustment is also made for the dividend exclusion of up to $100 per tax return ($200 on a joint return) and for the all-savers exclusion for interest income.

Expanded Income

The Congress has asked for high-income data to be tabulated on the basis of a measure closely approximating economic income but using only data available on tax returns. This measure is called "expanded income."

Expanded income is defined as adjusted gross income plus items of tax preference income excluded from AGI less investment expenses to the extent that they do not exceed investment income [12]. Tax preferences considered are the $100-per-tax-return exclusion for qualifying dividends ($200 on a joint return), excluded "all-savers" interest, the excluded portion of net long-term capital gains, and, where the taxpayer has filed a Form 6251 (Alternative Minimum Tax Computation), all other excluded income preferences subject to the minimum tax [13]. For individuals, the only preference income items of significance other than the excluded portion of capital gains are the excess of accelerated depreciation over straight-line depreciation on real property and on personal property subject to a lease, the excess of percentage depletion over the cost of the property, and deductions for intangible drilling costs in excess of the amounts deductible if these costs had been amortized. Because expanded income is based on tax return data, it excludes items such as interest on tax-exempt state and local bonds, accrued but unrealized capital gains, straight-line depreciation on real estate in excess of economic depreciation, most employee fringe benefits, and other items mentioned under "Omitted Income and Accelerated Deductions."

Four Income Measures

The Congress has mandated that high-income tax return data be selected and classified on the basis of four definitions of income. Expanded income and AGI have already been discussed. Each of the two other measures embodies only one of the two major differences between expanded income and AGI. "Adjusted gross income plus tax preferences" is AGI plus the amount of tax preference income excluded from AGI. "Adjusted gross income less investment interest" is AGI less the amount of investment interest to the extent that it does not exceed investment income.

When ranked according to size of income, AGI plus references is largest, AGI less investment interest is smallest, and AGI and expanded income fall in the middle. For any given taxpayer, AGI can be larger or smaller than expanded income depending on whether preferences are larger or smaller than investment interest.

The four income concepts are related in the following manner [14]:

Expanded income
= Adjusted gross income + preferences - investment interest

Adjusted gross income
= Expanded income - preferences + investment interest

Adjusted gross income plus preferences
= Adjusted gross Income + preferences

or = Expanded income + investment interest

Adjusted gross income less investment interest
= Adjusted gross income - investment interest

or = Expanded income - preferences

Expanded income is the measure which most closely approximates economic income.

MEASUREMENT OF TAXES

Foreign Tax Credits: Worldwide Taxes on Worldwide Income

Just as income must be measured properly, so must income taxes.

United States income taxes are based on global (worldwide) income. Thus, U.S. citizens and residents generally must include income on their U.S. income tax returns regardless of whether it has been generated in the United States or in a foreign country. However, when a taxpayer has foreign source income, the U.S. income tax computed on global income may often be reduced dollar-for-dollar by the amount of foreign income taxes that have been paid on that foreign income. These offsets for foreign income taxes are called "foreign tax credits" [15].

Statistics of Income (SOI) data collected as a by-product of tax administration include global income as reported on U.S. income tax returns. The SOI data, however, usually include only U.S. income taxes net of the foreign tax credits that represent offsets for foreign income tax payments. Where taxpayers have income from foreign sources, this procedure understates their tax liabilities and their effective tax rates. Since worldwide income is reported on U.S. tax returns, a more accurate measure of the tax burden imposed on that income would be obtained if all income taxes--U.S. as well as foreign--were also included. Analysis of high-income tax returns

indicates that a substantial portion of the so-called nontaxable, high-incomes have large shares of their income from non-U.S. sources and have paid substantial amounts of foreign income taxes on that income. Thus, it does not seem appropriate to classify these individuals as nontaxable or to classify their foreign tax credits as special tax benefits.

In order to present a more realistic picture of the number of nontaxable, high-income tax returns and the reasons they were nontaxable, several tables and charts in this article have been prepared by redefining income tax liability to consist of the total amount of U.S. income taxes (income taxes after credits plus the alternative minimum tax) plus the amount of foreign tax credits. Because information on foreign tax liabilities is not available on U.S. income tax returns, foreign tax credits were selected as a proxy for foreign tax liabilities. Where foreign tax rates exceed U.S. rates, and in certain other instances, foreign tax credits actually will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign taxes understates global income tax liability. In cases in which foreign tax credits are for taxes paid on income from earlier years, use of foreign tax credits may either overstate or understate global taxes on the current year's income.

Tables redefining tax liability to include the foreign tax credit attempt to present an approximation of the true worldwide (global) income tax burden on worldwide income. For the vast majority of taxpayers--with high incomes or otherwise--this adjustment is irrelevant, for they have little or no foreign source income. However, for the small proportion of taxpayers with substantial foreign income, this adjustment is important. The policy implications of a person with a very large amount of income not paying U.S. income tax certainly would be different if U.S. nontaxability were the result of the person's living and working abroad and paying substantial amounts of foreign tax than if all income were from U.S. sources and the person paid no income tax to either the U.S. government or any other government.

In order to be consistent with data from earlier years, all tables showing nontaxability or the amount of taxability on the basis of worldwide tax liability have been duplicated by other tables with tax liability defined in the more traditional way used for tax administration purposes: U.S. income tax liability after subtracting the value of any foreign tax credits.

Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations

In order to compare the importance of various exclusions, deductions, tax credits, and special tax computations (such as the alternative minimum tax on tax preferences and the income averaging tax computation), the different types of items must be put on the same basis. One way of doing so is to calculate the size of the deduction that would reduce (or increase) income tax by the same amount as a tax credit. This amount is called the "deduction equivalent" of the tax credit.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using ordinary tax rate schedules, would yield the actual tax before the provision in question is considered and the actual tax after the provision. For example, the "deduction equivalent of all tax credits" is equal to the difference between "taxable income which would yield tax before credits" and "taxable income which would yield tax after credits."

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated affects the value of their deduction equivalents. Because the tax rate schedules are progressive with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first.

The deduction equivalents of tax credits shown in the accompanying tables were computed by assuming that deductions and exclusions reduced taxes before tax credits. As a result, the deduction equivalent of tax credits is biased upwards.

Share of Income Subject to Tax

The total impact of various deductions, exclusions, tax credits, and special tax computations can be measured only if the aggregate value of all of, or groups of, these items in reducing, or increasing, income taxes is put on a comparable basis. Two often-used measures of the value of deductions and exclusions are the share of income that has been excluded from tax and the share of income that remains subject to tax. The latter measure can also include the impact of tax credits and special tax computations if the deduction equivalent of these items is added to taxable income defined in the ordi-

nary manner. Doing so yields what the tables accompanying this article call "taxable income which would yield income tax before credits," "taxable income which would yield income tax after credits," and "taxable income which would yield total income tax." These measures could be computed directly from taxable income and from the deduction equivalents of the appropriate items. However, these measures have been computed by using the tax rate schedules to calculate the amounts of taxable income that would have been necessary (when subject to tax under the appropriate, ordinary tax rate schedule) to yield the given amounts of tax.

Unaudited Data

Tax return data used in the Statistics of Income program have been tabulated as they have been reported on tax returns filed with the Internal Revenue Service. Certain, obvious arithmetic errors have been corrected, and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not reflect any changes that may have been made or that are likely to be made in the future as a result of IRS audits. While this is true of data throughout the entire SOI program, it is of particular relevance for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

The fact that the data have been drawn from unaudited returns is of even greater importance for those high-income returns that are nontaxable. Almost any audit changes would make such returns taxable. Even where the tax consequences were minor, such returns would be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

HIGH-INCOME TAX RETURNS FOR 1983

This section contains 13 tables and four charts with data from income tax returns, mainly those with incomes of $200,000 or more. Data are shown for all returns, and separately for taxable and nontaxable returns. Data in Tables 1 through 12 are from 1983 income tax returns. Data in the remaining table (Figure A) and in the four Charts (Figures B through E) summarize nontaxable, high-income returns from 1977 through 1983.

Separate parts of four of the 1983 tables contain data on high-income returns as defined by each of four different income concepts. In the remaining 1983 tables, data are depicted for the two main income concepts, adjusted gross income and expanded income.

The tables show:

- The numbers of high-income returns (total, taxable, and nontaxable) under the various income concepts (Tables 1 and 2);
- The numbers of high-income, non-taxable returns and the relative frequency of such returns from 1979 through 1983 (Figures A through E);
- The distributions of taxable income as a percentage of total income (Tables 3 and 4);
- The distributions of effective tax rates, that is, income tax as a percentage of income (Tables 11 and 12);
- The frequencies and amounts of various sources of income, exclusions, deductions, and tax credits, as well as the relationships between all four income concepts used in this article (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income taxes (Tables 7 and 8); and
- The frequencies with which various itemized deductions and tax credits occur as certain percentages of income (Tables 9 and 10).

Tables 1, 3, 5, 7, 9, and 11 and Figures B and D contain data with foreign tax credits treated as items which reduce U.S. income taxes; this is the treatment on tax returns. Tables 2, 4, 6, 8, 10, and 12 and Figures C and E are similar to the first set of tables and figures but treat foreign tax credits as part of the individual's income tax liability. Figure A includes both types of data. This different treatment is explained in more detail under the heading "Foreign Tax Credits."

Numbers of High-income Tax Returns

For 1983, the numbers of tax returns with incomes of $200,000 or more ranged from 187,321 to 262,453, depending on the income concept. These numbers represent from 0.19 percent to 0.27 percent of all tax returns filed. (Tables 1 and 2.)

For 1983, there were 249,319 income tax returns with expanded income of $200,000 or more. Of these, 579, or 0.232 percent, had no U.S. income tax liability, and only 437, or 0.175 percent, showed no worldwide income tax liability.

There were 198,608 tax returns with AGI of $200,000 or more. Of these, 447, or 0.225

Figure A.--Nontaxable Returns With Income of $200,000 or More: Number and Percent of Returns by Income Concept, 1977-1983

Income concept	1977		1978		1979	
	Number	Percent[1]	Number	Percent[1]	Number	Percent[1]
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with no total income tax:						
Adjusted gross income(AGI)	60	.112%	98	.143%	70	.075%
Expanded income	85	.126	105	.123	114	.093
AGI plus excluded preferences	95	.134	113	.125	127	.098
AGI less investment interest	52	.104	90	.140	56	.064
Return with no modified total income tax:						
Adjusted gross income(AGI)	37	.069%	60	.088%	28	.030%
Expanded income	64	.095	67	.079	64	.052
AGI plus excluded preferences	72	.101	75	.083	74	.057
AGI less investment interest	31	.062	52	.081	18	.021

Income concept	1980		1981		1982		1983	
	Number	Percent[1]	Number	Percent[1]	Number	Percent[1]	Number	Percent[1]
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Returns with no total income tax:								
Adjusted gross income(AGI)	143	.122%	226	.164%	262	.155%	447	.225%
Expanded income	198	.132	304	.174	299	.144	579	.232
AGI plus excluded preferences	242	.152	363	.194	385	.175	810	.309
AGI less investment interest	120	.110	188	.147	223	.140	229	.122
Returns with no modified total income tax:								
Adjusted gross income(AGI)	56	.048%	79	.057%	109	.064%	321	.162%
Expanded income	114	.076	114	.065	153	.074	437	.175
AGI plus excluded preferences	154	.097	156	.083	232	.105	663	.253
AGI less investment interest	36	.033	54	.042	78	.049	108	.058

[1]Percent of all returns with income $200,000 or more, for each concept.

Figure B.

Number and Percent of Returns with Adjusted Gross Income of $200,000 or More Without Total Income Tax, 1977-1983

Figure C.

Number and Percent of Returns with Adjusted Gross Income of $200,000 or More Without Total Income Tax as Modified for the Foreign Tax Credit, 1977-1983

Figure D.
Number and Percent of Returns with Expanded Income of $200,000 or More Without Total Income Tax, 1977-1983

Figure E.
Number and Percent of Returns with Expanded Income of $200,000 or More Without Total Income Tax as Modified for the Foreign Tax Credit, 1977-1983

percent, reported no U.S. income tax, and 321, or 0.162 percent, had no worldwide tax liability.

U.S. Tax Liability. If only income payable to the United States are considered, between 229 and 810 of all high-income returns (depending on the income measure used) were nontaxable (Table 1). This represents a change from 1982, ranging from a 3 percent to a 110 percent increase. The numbers of nontaxable returns increased more rapidly than high-income tax returns overall, so that the proportion of nontaxable, high-income returns increased from 1982. As measured by expanded income, the number of nontaxable returns increased by 93 percent, from 299 for 1982 to 579 for 1983, and the proportion of nontaxable returns increased from 0.144 percent to 0.232 percent in 1983. As measured by AGI, the number of nontaxable returns increased by 71 percent to 447 for 1983, and the proportion of such returns rose from 0.155 percent to 0.225 percent (Figure A).

Overall, 1983 nontaxable, high-income returns represented only a small proportion (0.122 percent to 0.309 percent) of all high-income returns, but in most cases the proportion increased dramatically. These increases represent the continuation of a trend that, except for 1982, has been occurring since the proportion of nontaxable, high-income returns reached historical lows in 1979. As measured by expanded income, a high-income return was two and one-half times more likely to be nontaxable for 1983 than for 1979. As measured by AGI, the probability that a high-income return would be nontaxable had tripled (Figure A).

Worldwide Tax Liability. If nontaxability is measured by worldwide income tax liabilities, between 108 and 663 high-income returns were nontaxable. Thus, treating foreign tax credits as if they represent tax payments reduced the numbers of nontaxable returns (and the probability of being nontaxable) by 25 percent to 53 percent, depending on the income concept used.

Both the numbers of nontaxable returns and their proportion of all high-income returns increased markedly from 1982. As measured by expanded income, the number of nontaxable returns almost tripled, from 153 to 437. As measured by AGI, the number of returns more than tripled, rising from 109 for 1982 to 321 for 1983. (Figure A.)

As measured by worldwide income tax, the probability of being nontaxable increased in 1983 under all four income concepts. This increase continued a general pattern of increases from the 1979 lows. Thus, by 1983, a high-income tax return was from 176 percent to 440 percent more likely to be nontaxable than for 1979.

Data in Figure A can be used to calculate the numbers of nontaxable returns due primarily to foreign income tax payments, as evidenced by foreign tax credits. Between 1982 and 1983, the number of such returns actually declined slightly, no matter which income concept was considered.

Number of Returns Nontaxable Because of Foreign Tax Payments by Income Concept, 1982 and 1983

Income concept	1982	1983
	(1)	(2)
Adjusted gross income (AGI)...	153	126
Expanded income.....	146	142
AGI plus preferences.....	153	147
AGI less investment interest..	145	121

Income concept	Change 1982 to 1983	
	Number	Percent
	(3)	(4)
Adjusted gross income (AGI)...	-27	-18%
Expanded income.....	-4	-3
AGI plus preferences.....	-5	-3
AGI less investment interest..	-24	-17

The declines as percentages of all high-income returns were even larger. Thus, the increase in the numbers of nontaxable, high-income returns for 1983 is not attributable to the foreign income taxes or foreign tax credit.

Tables 3 and 4 show the distributions of high-income returns by the ratios of taxable income (as adjusted to reflect tax credits and special tax computations) to total income on the returns. The tables illustrate three important facts about high-income tax returns.

1. As already described, only a small proportion of high-income taxpayers are able to escape all income taxes.

2. Another group of high-income taxpayers--still a small group but larger than the nontaxable group--is able to offset half or more of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of its income, perhaps a smaller share of income than that of a typical median-income family. Such taxpayers are called "nearly nontaxables."

   Legitimate questions can be raised about whether this nearly nontaxable group is paying its "fair share" of the aggregate income tax. Despite the small amount of tax payable by the nearly nontaxables,

they have escaped the notoriety accorded high-income tax returns showing absolutely no tax liability.

3. Overall, a large portion of high-income taxpayers are subject to tax on a large share of their income and pay very substantial amounts of tax.

Tables 11 and 12 represent another way of showing the distributions of tax returns by tax burden. These two tables classify all tax returns by both the size of income and the effective tax rate, i.e., income tax as a percentage of income.

1. These tables illustrate the distribution of effective tax rates for high-income returns as compared with the distribution for returns with lower income levels: under $50,000; $50,000 to $100,000; and $100,000 to $200,000.

2. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. While 1.6 percent of high expanded income returns show tax liabilities of less than 10 percent of expanded income, 1.6 percent had effective tax rates of 45 percent to 50 percent of income, and approximately 0.2 percent had tax liability exceeding half of their income. More than 82 percent had average tax rates ranging from 15 percent to 45 percent of income, with over half of high-income taxpayers having effective tax rates between 20 percent and 40 percent of income.

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income; the items of tax preference; and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, the ratios of both partnership income to total income and partnership losses to total income were far higher on nontaxable returns.

Tables 7 and 8 classify tax returns by the items that had largest and second largest effects in reducing or eliminating income tax. For the returns on which each primary item is most important, the tables show the distributions of the second most important items. For example, on taxable returns with expanded incomes of at least $200,000, the most important item on 45 percent of the returns was the itemized deduction of state and local taxes. For those returns on which taxes were the largest item, the itemized deduction for interest payments was the second most important item 40 percent of the time and charitable contributions were the second most important 37 percent of the time. Conversely, on nontaxable returns (with no worldwide tax), the interest-paid deduction was the most important item 62 percent of the time. And where interest paid was the primary item, there was no secondary item 51 percent of the time, charitable contributions were the second item 24 percent of the time, and the deduction for taxes paid was second most important 18 percent of the time.

Tables 9 and 10 represent another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables show data only for nontaxable returns. For returns without any income tax, these tables show the number of times that various items reduced income by different fractions of income. The items shown are the various categories of itemized deductions, total tax preferences excluded from income, and the deduction equivalents of four different types of tax credits. For example, for high expanded income returns with no worldwide tax, the itemized deduction for casualty losses exceeded 100 percent of expanded income on 10 of 437 returns, and the deduction equivalent of the investment credit was between 50 percent and 100 percent of expanded income on three returns.

INCREASES IN HIGH-INCOME, NONTAXABLE RETURNS, 1983

The tabulations of data for 1983 that show large increases in both the absolute numbers of nontaxable, high-income returns and the frequencies with which they occurred provoked skepticism by this author about the data's accuracy, followed by attempts to determine and explain the possible reasons for the increases.

Data Accuracy

The existence of such a large number of nontaxable, high-income returns has been verified by the manual review of each of the 447 nontaxable, high-AGI tax returns. Manual review confirmed that all 447 returns do exist and that all of them were nontaxable, as nontaxability has been defined for these purposes since the 1970's.

The review did disclose, however, that 67, or 15 percent, of the returns actually did have some income tax liability attributable to recapture of investment credits allowed in prior years. Although this finding does not alter the fact that significantly more returns were nontaxable for 1983 than for the immediately preceding years, it does raise questions about the proper definition of nontaxability.

Analyses of nontaxable, high-income returns have focused on finding taxpayers with large amounts of income who pay little or no income tax, as well as the features of the tax system

which allow them to escape taxation. Such information provides a basis for discussing whether such features are appropriate in a broadly based income tax system and whether they should be changed. In this regard, interest originally focused on current-year tax on current-year income. Thus, any taxes that may have depended on prior-year income were not considered, including any current-year tax resulting from early disposition of assets and the recapture of investment credits allowed when those assets were acquired. Furthermore, manual examination of tax returns for 1975 and 1976 did not indicate that the taxability or nontaxability of any high-income return depended on investment credit recapture. Thus, as a practical matter, the proper treatment of investment credit recapture was not deemed important.

Even though single-year tabulations of data from tax returns generally show tax attributable to a single year, there are multiyear effects from several income tax features that render income tax returns "impure" as a measure of one year's tax on one year's income. Most relevantly, the investment credit itself is taken for the year equipment is acquired even though the equipment is expected to be used for several years. Similarly, depreciation deductions may be accelerated, resulting in a mismatching of the income from, and the expenses attributable to, an asset. In this regard, a return could become nontaxable in one year primarily because of an investment credit. Current methodology could classify that taxpayer as nontaxable in later years even if the person paid tax from the recapture of some of the investment credit previously allowed. These considerations would argue for symmetrical treatment. Since deductions and credits have been considered even if they are for income extending more than one year, taxes ought to be treated in the same way.

Symmetrical treatment would suggest that any taxpayer who pays tax from the recapture of a prior-year investment credit ought not be considered nontaxable. Because changing the classification of such returns for 1983 would not result in major changes, no attempts will be made to retabulate the data because of this definitional change. It is, however, anticipated that the definitions of nontaxability will be altered for 1984 and subsequent years.

The previously mentioned manual review of nontaxable, high-AGI returns did show that if any return with investment credit recapture were treated as taxable, there would have been only 380 nontaxable, high-AGI returns for 1983. The 380 nontaxable returns would have been 0.19 percent of all high-AGI returns. Since corrected data for 1982 are not available, the percentage change for 1982 cannot be known with precision, but at minimum the increase was 45 percent. For high-AGI returns with tax redefined to include foreign tax payments, a redefinition of nontaxability to exclude returns with tax only from investment credit recapture reduces the number of nontaxables by 59 returns, or 18 percent, from 321 to 262.

Similar adjusted data using the expanded income concept are not available.

Reasons for 1983 Changes

The significant increases in the numbers of nontaxable, high-income returns for 1983 seem to be attributable to the elimination of the minimum tax and the taxation of all preference items under the expanded alternative minimum tax. These changes were enacted as part of the Tax Equity and Fiscal Responsibility Act of 1982 (commonly called TEFRA) and became effective for 1983. The increase in nontaxable, high-income returns seems to stem from changes in the list of itemized deductions that may give rise to tax preferences under the alternative minimum tax.

In 1982, the Congress eliminated the minimum tax and transferred the taxation of all tax preferences to a more comprehensive alternative minimum tax. In part, these changes were intended to reduce taxes for some taxpayers who had modest amounts of tax preferences but who paid substantial amounts of ordinary income tax. The primary goal, however, was to concentrate the burden of (alternative) minimum taxation on those who would otherwise not pay a fair share of the total tax burden relative to their incomes. This objective was clearly stated:

> "Congress amended the present minimum tax provisions applying to individuals with one overriding objective: no taxpayer with substantial economic income should be able to avoid all tax liability by using exclusions, deductions and credits. Although these provisions provide incentives for worthy goals, they become counter-productive when individuals are allowed to use them to avoid virtually all tax liability. The ability of high-income individuals to pay little or no tax undermines respect for the entire tax system and, thus, for the incentive provisions themselves. Therefore, Congress provided an alternative minimum tax which was intended to insure that, when an individual's ability to pay taxes is measured by a broad-based concept of income, a measure which can be reduced by only a few of the incentive provisions, tax liability is at least a minimum percentage of that broad measure" [16].

The major change made by TEFRA to minimum taxation of individuals was the concentration of the taxation of all preference items under the alternative minimum tax rather than having

the capital gains exclusion and preferences for itemized deductions taxed under the alternative minimum tax and all other preferences taxed under the minimum tax. Other changes were also made. The alternative minimum tax exclusion was raised to $30,000 (to $40,000 for joint returns) from its previous level of $20,000. Some new preferences items were added for exclusions and deferrals of income. Finally, the list of itemized deductions that may give rise to an alternative minimum tax preference was altered, and the way in which the itemized deduction preference is calculated was changed [17].

Calculation of tax preferences from itemized deductions was changed so that an eligible itemized deduction became more likely to generate a tax preference for 1983 than it was for 1982. Hence, it was believed that the TEFRA changes would make it more likely for itemized deductions to give rise to the alternative minimum tax. For 1982, the preference from itemized deductions was the amount by which a taxpayer's total itemized deductions (other than the itemized deductions for medical expenses, casualty losses, and state and local taxes) exceeded 60 percent of AGI as reduced by the just mentioned itemized deductions. Thus, itemized deductions could be a tax preference only if their total represented a large share of AGI. Beginning with 1983, every dollar of certain categories of itemized deductions could generate a tax preference, even if the particular itemized deduction or the total of all itemized deductions represented only a modest share of AGI.

In addition to changing the structure of the itemized deduction tax preference under the alternative minimum tax, TEFRA changed the list of itemized deductions that could result in preferences. Before TEFRA, preferences generally could come from any itemized deduction other than those for medical expenses, casualty losses, and deductible state and local taxes. After TEFRA, tax preferences could come from any itemized deduction other than charitable contributions, casualty losses, mortgage interest expense, investment interest to the extent of investment income, gambling losses, and the medical expense deduction to the extent that the allowable portion exceeded 5 percent of AGI. These were quite dramatic changes. The only items left unchanged were casualty losses and the medical expense deduction to the extent that the allowable deduction exceeded 5 percent of AGI. Most importantly, under the new law, a preference could be generated by any amount of state and local tax expenses. Preferences, however, could no longer be generated by charitable contributions, mortgage interest, gambling losses, or most deductible investment interest [18].

These changes were believed to represent a significant tightening of the alternative minimum tax. In fact, the changes seem to have provided the means for a major increase in the number of nontaxable, high-income returns.

The impact of these minimum tax changes has been approximated for nontaxable, high-AGI returns for 1983 that had no U.S. tax liability and did not have any tax from recapture of prior-year investment credits. To the extent possible based on data shown on 1983 tax returns, the impacts of the 1982 minimum tax and the 1982 alternative minimum tax have been simulated for these returns. The simulation indicates that if the 1982 provisions had been in effect for 1983, 362 of the 380 returns would have been taxable. That is, only 18 of the 380 returns that were actually nontaxable for 1983 would have remained nontaxable. In addition, 15 returns that were taxable for 1983 would have been nontaxable if the 1982 provisions had remained in effect. Thus, this simulation indicates that there would have been a total of only 33 nontaxable, high-AGI returns for 1983 if the 1982 minimum and alternative minimum tax provisions had not been altered. Most of these changes appear to stem from changes in the preference for itemized deductions.

A similar simulation for the high-AGI returns where the foreign tax credit has been redefined to represent a legitimate tax indicates that of the 262 returns that actually were nontaxable for 1983 (including no tax from investment credit recapture), 245 would have been taxable if the minimum and alternative minimum tax provisions had remained as in 1982. Leaving those provisions unchanged would also have resulted in an additional 13 returns being made nontaxable, for a nontaxable total of 30 returns.

Since the numbers of nontaxable returns estimated by these simulations is far below the numbers of returns actually found by tabulating 1982 data, the simulation results must be treated with caution, and the precise effects of the minimum and alternative minimum tax changes made by TEFRA remain unknown. Nevertheless, together with an analysis of what could have happened for 1983 compared with 1982 for returns with hypothetical combinations of itemized deductions, these simulations indicate that the changes attributed to TEFRA's alternative minimum tax are both possible and probable.

In TEFRA in 1982, the Congress enacted changes to increase the overall level of minimum taxation, to concentrate such taxes on individuals whose tax preferences represented a large share of their income, and to reduce the number of nontaxable, high-income returns. The changes apparently have accomplished the first two goals. They do not, however, appear to have been successful in achieving the third goal. In fact, the alternative minimum tax changes in

TEFRA--particularly the changes in the types of itemized deductions that may give rise to tax preferences--have actually opened the way for a significantly larger number of nontaxable, high-income tax returns.

NOTES AND REFERENCES

[1] See section in this article titled "High-income Tax Returns for 1983" for a more detailed analysis of the numbers of nontaxable, high-income returns.

[2] Section 2123, 90 Stat. at 1915.

[3] Lerman, Allen H., High Income Tax Returns: 1974 and 1975, A Report on High Income Taxpayers Emphasizing Tax Returns with Little or No Tax Liability. Washington, D.C.: U.S. Department of the Treasury, Office of Tax Analysis, March 1977.

Lerman, Allen H., High Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns. Washington, DC: U.S. Department of the Treasury, Office of Tax Analysis, August 1978.

[4 U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--Individual Income Tax Returns, Reports for 1979, 1980, 1981, and 1982.

High-income taxpayer data for 1977 and 1978 have been tabulated but not published, except for the actual number of high adjusted gross income nontaxable returns. Data for 1977 and 1978 and a brief explanation of the tables may be published in a future issue of the Statistics of Income Bulletin.

[5] This is the Haig-Simons definition of income.

[6] The Internal Revenue Code defines adjusted gross income as all gross income that is not specifically excluded or reduced by statutory adjustments. Among the exclusions are trade or business deductions (including some deductions by employees) and depreciation deductions allowable for tax purposes, the deduction for 60 percent of net long-term capital gains, limited deductions for losses from the sale or exchange of property, deductions attributable to rents and royalty income, the moving expenses adjustment, and deductions for contributions to individual retirement arrangements (IRA's) and self-employed (Keogh) retirement plans.

[7] Gross income includes only income that has been "realized." Thus, for tax purposes, accrued increases or decreases in the value of assets are generally not included in income until any gain or loss is realized by a sale or exchange. In addition, gross income does not include the value of the services received from the use of durable goods, such as imputed net rent from owner-occupied homes or from consumer durables. Finally, gross income and, hence, adjusted gross income, do not include interest on most types of state and local government debt, social security benefits, workers' compensation benefits, and most types of welfare benefits.

[8] There have been attempts to create micro-data files that include approximations of economic income. Tax return data files have been "statistically merged" with other files such as the Current Population Survey (CPS) of the Bureau of the Census. After the merge, certain additional data items that were not on either file have been "imputed" to each record of the merged file. Although such statistically merged files have proven useful for many purposes, they have only limited use--and must be used with great caution--for high-income individuals and families, each of which is likely to have more unique financial and income characteristics that are not likely to be duplicated accurately through imputations and statistical merges.

[9] If the sum of tax preferences that were subject to the alternative minimum tax (including both preferences representing income excluded from adjusted gross income and certain itemized deductions that may be considered preferences) together with the taxpayer's AGI and ordinary income tax were sufficient to result in the imposition of any alternative minimum tax, the taxpayer was required to complete Form 6251, Alternative Minimum Tax Computation. For such taxpayers, the tax preferences excluded from adjusted gross income, as tabulated in Tables 5 and 6, include the following items: the dividend exclusion; the "all-savers" interest exclusion; the excluded portion of long-term capital gains; the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease; the excess of rapid amortization allowable on certain capital expenditures (such as pollution control facilities) over depreciation otherwise allowable; the excess of percentage depletion over the "adjusted basis" of the property; unrealized gain on the exercise of stock options; and certain intangible drilling

costs to the extent that they exceeded the otherwise-allowable amortization deduction.

Any preferences from itemized deductions do not represent omitted income; hence, they have not been counted as preference items in calculating a broader measure of income.

Before 1983, preferences had to be listed on income tax returns if total preferences other than the capital gains exclusion and any preferences from itemized deductions were at least $10,000 ($5,000 for married taxpayers filing separately). Preferences had to be listed and included with the income tax return even if they did not give rise to any minimum tax liability.

[10] Omission of social security benefits and certain other items is relatively unimportant for high-income taxpayers.

[11] In addition, income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from certain small business corporations, only the net amounts of which are included in adjusted gross income.

[12] For the sake of brevity, "investment interest to the extent that it does not exceed investment income" is called "investment interest." "Investment interest in excess of investment income" is called "excess investment interest."

[13] See footnote [9].

[14] The borderline between excess and non-excess investment interest depends on the income items actually included under each income concept. Hence, the investment interest adjustment differs depending on which income definition is used.

[15] Certain amounts of income earned abroad are excluded from adjusted gross income by statute. Any foreign taxes paid on such income are not creditable against U.S. income taxes. The tables in this section do not reflect either the amounts of income excluded or the tax payments on them.

[16] U.S. Congress, Joint Committee on Taxation, General Explanation of the Revenue Provisions of the Tax Equity and Fiscal Responsibility Act of 1982, December 31, 1982, p. 17.

[17] See pp. 16-23, Joint Committee on Taxation, op. cit, for a complete explanation of the minimum and alternative minimum taxes before and after TEFRA. Readers may also see the changes by comparing the appropriate income tax forms for 1982 and 1983: Form 4265 for 1982 and Form 6251 for both 1982 and 1983.

[18] The itemized deductions that could not give rise to tax preferences and the changes between 1982 and 1983 are summarized in the following chart. Under proper conditions, all other itemized deductions might produce tax preferences and some amount of alternative minimum tax.

Itemized Deductions That Cannot Generate Tax Preferences

1982	1983
Medical expense deduction 1/	Medical expense deduction 1/ over 5 percent of adjusted gross income
State and local taxes	
Casualty losses	Casualty losses
	Charitable contributions
	Mortgage interest expense
	Investment and interest expense to the extent of investment income
	Gambling losses

1/ The itemized deduction for medical expenses consisted of the portion of medical expenses in excess of a floor of 3 percent of AGI (5 percent in 1983) for all medical costs, including the expenses for medicines and drugs in excess of a separate floor of 1 percent of AGI.

Table 1 — Returns With and Without Total Income Tax: Number of Returns Classified by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Size of income under alternative concepts	Size of adjusted gross income				
	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All Returns					
Total	96,321,310	91,086,723	4,414,028	621,951	198,608
Size of expanded income					
Under $50,000	90,906,700	90,797,277	108,564	761	98
$50,000 under $100,000	4,477,515	281,347	4,175,842	20,077	249
$100,000 under $200,000	687,776	6,412	125,195	551,425	4,744
$200,000 or more	249,319	1,687	4,427	49,688	193,517
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	90,744,765	90,744,765	—	—	—
$50,000 under $100,000	4,593,684	332,663	4,261,021	—	—
$100,000 under $200,000	720,408	7,416	147,782	565,210	—
$200,000 or more	262,453	1,879	5,225	56,741	198,608
Size of adjusted gross income less investment interest					
Under $50,000	91,243,984	91,086,723	155,209	1,758	294
$50,000 under $100,000	4,294,656	—	4,258,819	35,330	507
$100,000 under $200,000	595,349	—	—	584,863	10,486
$200,000 or more	187,321	—	—	—	187,321
Returns With Total Income Tax					
Total	79,421,285	74,207,121	4,396,236	619,767	198,161
Size of expanded income					
Under $50,000	74,028,553	73,923,488	104,555	*508	2
$50,000 under $100,000	4,458,872	276,608	4,162,744	19,313	207
$100,000 under $200,000	685,120	5,536	124,547	550,359	4,678
$200,000 or more	248,740	1,489	4,390	49,587	193,274
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	73,874,894	73,874,894	—	—	—
$50,000 under $100,000	4,568,322	324,227	4,244,095	—	—
$100,000 under $200,000	716,426	6,322	146,956	563,148	—
$200,000 or more	261,643	1,678	5,185	56,619	198,161
Size of adjusted gross income less investment interest					
Under $50,000	74,359,079	74,207,121	150,323	1,458	177
$50,000 under $100,000	4,280,984	—	4,245,913	34,603	468
$100,000 under $200,000	594,130	—	—	583,706	10,424
$200,000 or more	187,092	—	—	—	187,092
Returns Without Total Income Tax					
Total	16,900,025	16,879,602	17,792	2,184	447
Size of expanded income					
Under $50,000	16,878,147	16,873,789	4,009	253	96
$50,000 under $100,000	18,643	4,739	13,098	764	42
$100,000 under $200,000	2,656	876	*648	1,066	66
$200,000 or more	579	198	*37	*101	243
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	16,869,871	16,869,871	—	—	—
$50,000 under $100,000	25,362	8,436	16,926	—	—
$100,000 under $200,000	3,982	1,094	826	2,062	—
$200,000 or more	810	201	*40	122	447
Size of adjusted gross income less investment interest					
Under $50,000	16,884,905	16,879,602	4,886	300	117
$50,000 under $100,000	13,672	—	12,906	727	39
$100,000 under $200,000	1,219	—	—	1,157	62
$200,000 or more	229	—	—	—	229

*Estimate should be used with caution because of the small number of sample returns on which it is based.

Table 2 — Returns With and Without Modified Total Income Tax: Number of Returns Classified by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Size of income under alternative concepts	Size of adjusted gross income				
	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All Returns					
Total	96,321,310	91,086,723	4,414,028	621,951	198,608
Size of expanded income					
Under $50,000	90,906,700	90,797,277	108,564	761	98
$50,000 under $100,000	4,477,515	281,347	4,175,842	20,077	249
$100,000 under $200,000	687,776	6,412	125,195	551,425	4,744
$200,000 or more	249,319	1,687	4,427	49,688	193,517
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	90,744,765	90,744,765	—	—	—
$50,000 under $100,000	4,593,684	332,663	4,261,021	—	—
$100,000 under $200,000	720,408	7,416	147,782	565,210	—
$200,000 or more	262,453	1,879	5,225	56,741	198,608
Size of adjusted gross income less investment interest					
Under $50,000	91,243,984	91,086,723	155,209	1,758	294
$50,000 under $100,000	4,294,656	—	4,258,819	35,330	507
$100,000 under $200,000	595,349	—	—	584,863	10,486
$200,000 or more	187,321	—	—	—	187,321
Returns With Modified Total Income Tax					
Total	79,450,915	74,233,981	4,398,302	620,345	198,287
Size of expanded income					
Under $50,000	74,055,433	73,950,326	104,597	*508	2
$50,000 under $100,000	4,460,917	276,629	4,164,631	19,450	207
$100,000 under $200,000	685,683	5,537	124,684	550,779	4,683
$200,000 or more	248,882	1,489	4,390	49,608	193,395
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	73,901,732	73,901,732	—	—	—
$50,000 under $100,000	4,570,272	324,248	4,246,024	—	—
$100,000 under $200,000	717,121	6,323	147,093	563,705	—
$200,000 or more	261,790	1,678	5,185	56,640	198,287
Size of adjusted gross income less investment interest					
Under $50,000	74,385,981	74,233,981	150,365	1,458	177
$50,000 under $100,000	4,283,145	—	4,247,937	34,740	468
$100,000 under $200,000	594,576	—	—	584,147	10,429
$200,000 or more	187,213	—	—	—	187,213
Returns Without Modified Total Income Tax					
Total	16,870,395	16,852,742	15,726	1,606	321
Size of expanded income					
Under $50,000	16,851,267	16,846,951	3,967	253	96
$50,000 under $100,000	16,598	4,718	11,211	627	42
$100,000 under $200,000	2,093	875	*511	646	61
$200,000 or more	437	198	*37	*80	122
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	16,843,033	16,843,033	—	—	—
$50,000 under $100,000	23,412	8,415	14,997	—	—
$100,000 under $200,000	3,287	1,093	689	1,505	—
$200,000 or more	663	201	*40	101	321
Size of adjusted gross income less investment interest					
Under $50,000	16,858,003	16,852,742	4,844	300	117
$50,000 under $100,000	11,511	—	10,882	590	39
$100,000 under $200,000	773	—	—	716	57
$200,000 or more	108	—	—	—	108

*Estimate should be used with caution because of the small number of sample returns on which it is based.

Table 3 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Taxable Income to Specified Alternative Income

(All figures are estimates based on samples)

Specified items	Adjusted gross income			Expanded income			Adjusted gross income plus excluded tax preferences			Adjusted gross income less investment interest		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	**198,608**	**100.0**	—	**249,319**	**100.0**	—	**262,453**	**100.0**	—	**187,321**	**100.0**	—
Returns without total income tax	447	0.2	—	579	0.2	—	810	0.3	—	229	0.1	—
Returns with total income tax:												
Total	198,161	99.8	100.0	248,740	99.8	100.0	261,643	99.7	100.0	187,092	99.9	100.0
Ratio of taxable income to alternative income:												
Under 5 percent	152	0.1	0.1	180	0.1	0.1	239	0.1	0.1	107	0.1	0.1
5 under 10 percent	335	0.2	0.2	231	0.1	0.2	489	0.2	0.3	212	0.1	0.2
10 under 15 percent	798	0.4	0.6	588	0.2	0.4	1,146	0.4	0.7	264	0.1	0.3
15 under 20 percent	451	0.2	0.9	592	0.2	0.6	1,125	0.4	1.1	349	0.2	0.5
20 under 25 percent	814	0.4	1.3	930	0.4	1.0	2,384	0.9	2.1	392	0.2	0.7
25 under 30 percent	998	0.5	1.8	2,941	1.2	2.2	4,917	1.9	3.9	599	0.3	1.0
30 under 35 percent	1,631	0.8	2.6	3,946	1.6	3.8	7,455	2.8	6.8	849	0.5	1.5
35 under 40 percent	2,503	1.3	3.9	12,991	5.2	9.0	19,896	7.6	14.4	1,449	0.8	2.3
40 under 45 percent	3,452	1.7	5.6	44,732	18.0	27.0	41,787	16.0	30.4	2,526	1.4	3.6
45 under 50 percent	4,124	2.1	7.7	17,060	6.9	33.8	16,855	6.4	36.8	2,862	1.5	5.1
50 under 60 percent	12,065	6.1	13.8	25,846	10.4	44.2	27,313	10.4	47.2	8,805	4.7	9.8
60 under 70 percent	21,027	10.6	24.4	27,562	11.1	55.3	30,195	11.5	58.8	16,048	8.6	18.4
70 under 80 percent	41,844	21.1	45.5	38,486	15.5	70.8	40,542	15.5	74.3	36,491	19.5	37.9
80 percent or more	107,967	54.5	100.0	72,655	29.2	100.0	67,300	25.7	100.0	116,139	62.1	100.0

NOTE: Detail may not add to total because of rounding.

Table 4 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Taxable Income to Specified Alternative Income

(All figures are estimates based on samples)

Specified items	Adjusted gross income			Expanded income			Adjusted gross income plus excluded tax preferences			Adjusted gross income less investment interest		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	**198,608**	**100.0**	—	**249,319**	**100.0**	—	**262,453**	**100.0**	—	**187,321**	**100.0**	—
Returns without modified total income tax	321	0.2	—	437	0.2	—	663	0.3	—	108	0.1	—
Returns with modified total income tax:												
Total	198,287	99.8	100.0	248,882	99.8	100.0	261,790	99.7	100.0	187,213	99.9	100.0
Ratio of taxable income to alternative income:												
Under 5 percent	144	0.1	0.1	168	0.1	0.1	226	0.1	0.1	99	0.1	0.1
5 under 10 percent	187	0.1	0.2	84	( )	0.1	344	0.1	0.2	63	( )	0.1
10 under 15 percent	592	0.3	0.5	355	0.1	0.2	912	0.3	0.6	58	( )	0.1
15 under 20 percent	401	0.2	0.7	539	0.2	0.5	1,048	0.4	1.0	299	0.2	0.3
20 under 25 percent	622	0.3	1.0	766	0.3	0.8	2,200	0.8	1.8	221	0.1	0.4
25 under 30 percent	968	0.5	1.5	2,742	1.1	1.9	4,734	1.8	3.6	551	0.3	0.7
30 under 35 percent	1,601	0.8	2.3	3,924	1.6	3.4	7,278	2.8	6.4	836	0.4	1.1
35 under 40 percent	1,899	1.0	3.2	12,204	4.9	8.4	19,699	7.5	13.9	1,124	0.6	1.7
40 under 45 percent	3,828	1.9	5.2	45,439	18.3	26.6	42,056	16.1	30.0	2,633	1.4	3.1
45 under 50 percent	4,083	2.1	7.2	17,043	6.8	33.5	16,835	6.4	36.4	2,830	1.5	4.7
50 under 60 percent	11,035	5.6	12.8	25,096	10.1	43.5	26,706	10.2	46.6	8,035	4.3	8.9
60 under 70 percent	21,218	10.7	23.5	27,681	11.1	54.7	30,001	11.5	58.1	16,538	8.8	17.8
70 under 80 percent	42,264	21.3	44.8	39,099	15.7	70.4	41,208	15.7	73.8	36,328	19.4	37.2
80 percent or more	109,445	55.2	100.0	73,742	29.6	100.0	68,543	26.2	100.0	117,598	62.8	100.0

( ) Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.

Table 5 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with total income tax		Returns without total income tax		Total		Returns with total income tax		Returns without total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Salaries and wages	160,883	36,614,261	160,559	36,544,453	324	69,807	191,714	38,673,285	191,301	38,617,818	413	55,467
Business or profession:												
Net income	33,747	4,457,696	33,658	4,444,396	89	13,301	42,736	4,858,582	42,636	4,840,815	100	17,767
Net loss	21,978	1,008,550	21,896	989,098	82	19,452	29,545	1,347,048	29,380	1,312,903	165	34,145
Farm:												
Net income	4,371	282,180	4,361	280,986	10	1,194	4,736	294,633	4,734	294,206	2	427
Net loss	14,276	930,767	14,222	919,482	54	11,285	18,865	1,264,689	18,826	1,253,845	39	10,843
Partnership:												
Net income	58,753	6,959,196	58,649	6,929,714	104	29,483	71,185	7,336,437	71,121	7,312,299	64	24,138
Net loss	81,701	5,733,846	81,499	5,683,564	202	50,282	100,865	7,306,819	100,639	7,259,077	226	47,742
Small Business Corporation:												
Net income	24,217	4,468,187	24,185	4,464,339	32	3,848	27,477	4,559,992	27,453	4,557,432	24	2,560
Net loss	19,450	1,005,139	19,360	990,768	90	14,372	24,436	1,346,617	24,334	1,316,588	102	30,030
Sales of capital assets:												
Net gain	137,190	20,407,204	136,958	20,371,576	232	35,627	188,662	25,061,973	188,223	24,960,043	439	101,930
Net loss	29,535	69,461	29,487	69,343	48	118	28,825	67,757	28,792	67,679	33	77
Sales of property other than capital assets:												
Net gain	16,452	432,317	16,413	430,888	39	1,428	22,651	550,864	22,605	547,781	46	3,082
Net loss	14,229	137,993	14,182	136,184	47	1,809	17,683	185,328	17,621	175,399	62	9,929
Interest received	195,316	8,332,704	194,894	8,257,039	422	75,665	245,027	9,502,334	244,471	9,464,256	556	38,078
Dividends in AGI	165,774	11,028,785	165,458	10,962,796	316	65,989	206,699	11,837,876	206,396	11,804,590	303	33,286
Pensions and annuities in AGI	26,228	537,349	26,195	536,713	33	636	35,561	673,210	35,540	672,727	21	483
Rent:												
Net income	43,882	1,868,568	43,804	1,863,815	78	4,753	53,364	1,989,879	53,228	1,985,900	136	3,978
Net loss	53,518	1,348,968	53,332	1,340,683	186	8,285	67,969	1,787,907	67,742	1,772,481	227	15,426
Royalty:												
Net income	25,515	1,895,571	25,461	1,890,178	54	5,393	30,365	2,057,712	30,325	2,052,495	40	5,217
Net loss	2,660	49,038	2,653	48,975	†	†	3,601	58,691	3,596	58,632	5	59
Estate or trust:												
Net income	26,053	1,277,942	26,000	1,273,364	53	4,578	34,571	1,390,077	34,541	1,386,518	30	3,559
Net loss	2,368	58,048	2,355	56,427	13	1,622	2,887	85,743	2,873	84,454	*14	*1,290
State income tax refunds	70,382	329,777	70,279	328,266	103	1,511	85,371	365,425	85,278	364,491	93	935
Windfall profit tax refunds	9,456	22,036	9,441	22,013	15	22	11,846	27,665	11,834	27,642	12	23
Windfall profit tax withheld	39,723	279,944	39,649	279,155	74	789	47,284	311,682	47,235	310,962	49	719
Alimony received	486	25,583	†	†	†	†	602	29,010	601	28,710	1	300
Unemployment compensation in AGI	589	1,336	†	†	†	†	1,373	3,661	1,372	3,660	1	1
Other income	40,796	1,055,919	40,668	1,045,615	128	10,304	48,847	1,153,140	48,763	1,144,069	84	9,071
Other loss	5,342	466,595	5,287	452,730	55	13,865	8,524	834,610	8,349	790,843	175	43,766
Total statutory adjustments	145,630	1,300,301	145,431	1,297,116	199	3,185	174,055	1,482,873	173,828	1,477,061	227	5,812
Expanded income	198,607	113,325,111	198,161	113,221,229	446	103,882	249,319	127,604,413	248,740	127,388,569	579	215,844
AGI plus excluded tax preferences	198,608	116,980,170	198,161	116,758,299	447	221,870	249,319	131,194,614	248,740	130,950,688	579	243,925
AGI less investment interest	198,606	84,131,884	198,160	84,049,378	446	82,506	249,236	90,862,720	248,658	90,789,540	578	73,180
Investment interest per AGI concept	150,734	3,561,067	150,369	3,444,819	365	116,247	184,993	3,505,360	184,730	3,478,070	263	27,290
Investment interest per alternative income concept	150,734	3,561,067	150,369	3,444,819	365	116,247	185,113	3,590,201	184,850	3,562,119	263	28,081
Tax preferences excluded from adjusted gross income:												
Total	179,910	29,287,219	179,558	29,264,102	352	23,117	231,229	36,826,533	230,726	36,683,078	503	143,455
Excluded long-term capital gains	131,893	27,877,389	131,694	27,854,326	199	23,063	183,770	34,647,718	183,338	34,504,305	432	143,413
Dividend exclusion	162,011	28,437	161,716	28,386	295	51	202,640	35,501	202,378	35,462	262	38
All other	24,758	13,661,535	24,758	13,661,535	—	—	53,831	19,052,358	53,831	19,052,358	—	—
Adjusted gross income	198,608	87,692,950	198,161	87,494,197	447	198,753	249,319	94,368,081	248,740	94,267,610	579	100,470

Footnote(s) at end of table.

Table 5 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status — Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with total income tax		Returns without total income tax		Total		Returns with total income tax		Returns without total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Exemption amount	198,608	672,952	198,161	671,405	447	1,547	249,319	835,551	248,740	833,672	579	1,879
Itemized deductions:												
Total per AGI concept	196,609	17,753,516	196,207	17,543,257	402	210,259	244,203	18,992,443	243,806	18,886,041	397	106,401
Total per alternative income concept	196,609	17,753,516	196,207	17,543,257	402	210,259	244,203	15,402,242	243,806	15,323,922	397	78,320
Contributions deduction	192,543	4,382,781	192,189	4,368,221	354	14,560	238,630	4,763,754	238,288	4,755,360	342	8,393
Interest paid deduction:												
Total per AGI concept	172,423	5,677,905	172,035	5,521,695	388	156,210	212,155	5,797,125	211,794	5,742,052	361	55,073
Total per alternative income concept	172,423	5,677,905	172,035	5,521,695	388	156,210	164,633	2,206,924	164,341	2,179,933	292	26,991
Total home mortgage interest	118,705	1,410,345	118,427	1,395,690	278	14,654	144,651	1,622,480	144,388	1,610,371	263	12,108
Investment interest exceeding investment income per AGI concept	81,796	706,494	81,559	681,186	237	25,308	97,693	669,284	97,565	653,610	128	15,674
Investment interest exceeding investment income per alternative income concept	81,796	706,494	81,559	681,186	237	25,308	96,451	584,444	96,324	569,561	127	14,883
Medical and dental expense deduction	6,132	135,430	6,111	134,119	21	1,311	11,219	178,459	11,166	177,383	53	1,076
Net casualty or theft loss deduction	538	47,846	511	38,724	27	9,122	837	47,039	813	38,118	24	8,921
Taxes paid deduction	196,502	6,162,792	196,113	6,151,368	389	11,423	244,096	6,704,097	243,710	6,696,695	386	7,402
Miscellaneous deductions	168,529	1,346,761	168,201	1,329,128	328	17,633	208,538	1,501,969	208,172	1,476,433	366	25,537
Excess itemized deductions	196,523	17,115,854	196,121	16,906,881	402	208,973	243,967	18,202,312	243,570	18,097,039	397	105,273
Zero bracket amount	198,608	644,105	198,161	642,672	447	1,433	249,319	806,901	248,740	805,169	579	1,733
Excess of exemptions and deductions over AGI	980	133,925	683	73,781	297	60,144	2,719	386,518	2,334	327,488	385	59,030
Taxable income:												
As computed under current law	197,726	70,035,177	197,560	69,987,728	166	47,450	246,655	75,723,484	246,451	75,671,774	204	51,710
As computed under prior law	197,628	69,394,027	197,478	69,347,083	150	46,944	246,600	74,925,222	246,406	74,874,095	194	51,127
Tax at normal rates	197,628	32,036,490	197,478	32,014,817	150	21,674	246,600	34,171,498	246,406	34,148,103	194	23,395
Tax savings	38,625	261,364	38,609	261,111	16	254	63,156	377,531	63,106	376,737	50	793
Income tax before credits	197,632	31,875,787	197,482	31,854,366	150	21,421	246,615	33,925,977	246,421	33,903,375	194	22,603
Tax credits:												
Total	154,143	1,099,250	153,993	1,077,829	150	21,421	187,523	1,189,358	187,329	1,166,755	194	22,603
Foreign tax credit	24,216	182,736	24,090	161,689	126	21,048	28,195	187,228	28,053	165,296	142	21,932
Investment credit	113,711	870,293	113,682	869,919	29	373	137,680	951,803	137,626	951,132	54	670
Jobs credit	3,345	20,221	3,345	20,221	—	—	3,919	21,687	3,919	21,687	—	—
Minimum tax reported on Form 1040	98	3,810	98	3,810	—	—	436	7,327	436	7,327	—	—
Alternative minimum tax reported on Form 1040	24,965	955,102	24,965	955,102	—	—	53,838	1,566,405	53,838	1,566,405	—	—
Total income tax:												
Taxes paid to the U.S.	198,161	31,735,448	198,161	31,735,448	—	—	248,740	34,310,352	248,740	34,310,352	—	—
Foreign taxes paid	—	—	—	—	—	—	—	—	—	—	—	—
Taxable income which would yield:												
Income tax before credits	197,632	69,117,112	197,482	69,070,510	150	46,603	246,615	74,481,334	246,421	74,431,548	194	49,786
Income tax after credits	196,936	66,880,288	196,936	66,880,288	—	—	244,474	72,018,206	244,474	72,018,206	—	—
Total income tax	198,161	68,857,424	198,161	68,857,424	—	—	248,740	75,367,497	248,740	75,367,497	—	—

*Estimate should be used with caution because of the small number of sample returns on which it is based.
†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

Table 6 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with modified total income tax		Returns without modified total income tax		Total		Returns with modified total income tax		Returns without modified total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Salaries and wages	160,883	36,614,261	160,664	36,570,903	219	43,358	191,714	38,673,285	191,425	38,645,067	289	28,218
Business or profession:												
Net income	33,747	4,457,696	33,672	4,451,279	75	6,417	42,736	4,858,582	42,650	4,847,699	86	10,883
Net loss	21,978	1,008,550	21,907	989,953	71	18,597	29,545	1,347,048	29,388	1,313,586	157	33,462
Farm:												
Net income	4,371	282,180	4,361	280,986	10	1,194	4,736	294,633	4,734	294,206	2	427
Net loss	14,276	930,767	14,237	920,025	39	10,741	18,865	1,264,689	18,840	1,254,377	25	10,312
Partnership:												
Net income	58,753	6,959,196	58,672	6,943,564	81	15,633	71,185	7,336,437	71,140	7,325,597	45	10,839
Net loss	81,701	5,733,846	81,532	5,685,086	169	48,760	100,865	7,306,819	100,671	7,260,587	194	46,232
Small Business Corporation:												
Net income	24,217	4,468,187	24,186	4,464,348	31	3,838	27,477	4,559,992	27,454	4,557,441	23	2,551
Net loss	19,450	1,005,139	19,370	991,859	80	13,280	24,436	1,346,617	24,342	1,317,335	94	29,282
Sales of capital assets:												
Net gain	137,190	20,407,204	137,001	20,374,047	189	33,157	188,662	25,061,973	188,286	24,964,135	376	97,838
Net loss	29,535	69,461	29,513	69,406	22	55	28,825	67,757	28,815	67,733	10	23
Sales of property other than capital assets:												
Net gain	16,452	432,317	16,417	430,923	35	1,394	22,651	550,864	22,608	547,809	43	3,054
Net loss	14,229	137,993	14,186	136,197	43	1,796	17,683	185,328	17,625	175,413	58	9,916
Interest received	195,316	8,332,704	195,014	8,259,997	302	72,707	245,027	9,502,334	244,607	9,467,213	420	35,121
Dividends in AGI	165,774	11,028,785	165,544	10,965,928	230	62,857	206,699	11,837,876	206,498	11,808,699	201	29,177
Pensions and annuities in AGI	26,228	537,349	26,201	536,767	27	583	35,561	673,210	35,546	672,781	15	429
Rent:												
Net income	43,882	1,868,568	43,819	1,864,716	63	3,852	53,364	1,989,879	53,242	1,986,784	122	3,094
Net loss	53,518	1,348,968	53,397	1,341,613	121	7,355	67,969	1,787,907	67,828	1,773,651	141	14,256
Royalty:												
Net income	25,515	1,895,571	25,467	1,890,803	48	4,768	30,365	2,057,712	30,331	2,053,120	34	4,592
Net loss	2,660	49,038	†	†	†	†	3,601	58,691	3,598	58,644	3	47
Estate or trust:												
Net income	26,053	1,277,942	26,008	1,273,705	45	4,237	34,571	1,390,077	34,549	1,386,858	22	3,219
Net loss	2,368	58,048	2,356	57,333	12	715	2,887	85,743	2,874	85,360	*13	*383
State income tax refunds	70,382	329,777	70,288	328,320	94	1,457	85,371	365,425	85,286	364,541	85	884
Windfall profit tax refunds	9,456	22,036	9,445	22,017	11	19	11,846	27,665	11,837	27,645	*9	*20
Windfall profit tax withheld	39,723	279,944	39,662	279,190	61	755	47,284	311,682	47,246	310,996	38	686
Alimony received	486	25,583	†	†	†	†	602	29,010	601	28,710	1	300
Unemployment compensation in AGI	589	1,336	†	†	†	†	1,373	3,661	1,372	3,660	1	1
Other income	40,796	1,055,919	40,694	1,047,424	102	8,495	48,847	1,153,140	48,787	1,145,785	60	7,355
Other loss	5,342	466,595	5,311	454,679	31	11,916	8,524	834,610	8,394	794,276	130	40,334
Total statutory adjustments	145,630	1,300,301	145,501	1,297,702	129	2,599	174,055	1,482,873	173,896	1,477,630	159	5,243
Expanded income	198,607	113,325,111	198,287	113,274,163	320	50,948	249,319	127,604,413	248,882	127,446,099	437	158,314
AGI plus excluded tax preferences	198,608	116,980,170	198,287	116,812,858	321	167,312	249,319	131,194,614	248,882	131,009,330	437	185,284
AGI less investment interest	198,606	84,131,884	198,286	84,098,834	320	33,050	249,236	90,862,720	248,800	90,841,079	436	21,642
Investment interest per AGI concept	150,734	3,561,067	150,437	3,446,426	297	114,641	184,993	3,505,360	184,793	3,479,164	200	26,196
Investment interest per alternative income concept	150,734	3,561,067	150,437	3,446,426	297	114,641	185,113	3,590,201	184,913	3,563,232	200	26,969
Tax preferences excluded from adjusted gross income:												
Total	179,910	29,287,219	179,640	29,267,599	270	19,621	231,229	36,826,533	230,827	36,689,087	402	137,446
Excluded long-term capital gains	131,893	27,877,389	131,731	27,857,810	162	19,579	183,770	34,647,718	183,396	34,510,302	374	137,417
Dividend exclusion	162,011	28,437	161,783	28,398	228	40	202,640	35,501	202,443	35,473	197	27
All other	24,758	13,661,535	24,758	13,661,535	—	—	53,831	19,052,358	53,831	19,052,358	—	—
Adjusted gross income	198,608	87,692,950	198,287	87,545,259	321	147,691	249,319	94,368,081	248,882	94,320,243	437	47,838

Footnote(s) at end of table.

Table 6 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status — Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with modified total income tax		Returns without modified total income tax		Total		Returns with modified total income tax		Returns without modified total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Exemption amount	198,608	672,952	198,287	671,849	321	1,103	249,319	835,551	248,882	834,222	437	1,329
Itemized deductions:												
Total per AGI concept	196,609	17,753,516	196,289	17,548,022	320	205,493	244,203	18,992,443	243,904	18,890,152	299	102,291
Total per alternative income concept	196,609	17,753,516	196,289	17,548,022	320	205,493	244,203	15,402,242	243,904	15,326,920	299	75,322
Contributions deduction	192,543	4,382,781	192,253	4,368,658	290	14,123	238,630	4,763,754	238,348	4,755,771	282	7,983
Interest paid deduction:												
Total per AGI concept	172,423	5,677,905	172,112	5,524,252	311	153,653	212,155	5,797,125	211,866	5,743,944	289	53,180
Total per alternative income concept	172,423	5,677,905	172,112	5,524,252	311	153,653	164,633	2,206,924	164,396	2,180,713	237	26,211
Total home mortgage interest	118,705	1,410,345	118,473	1,396,325	232	14,019	144,651	1,622,480	144,429	1,610,930	222	11,550
Investment interest exceeding investment income per AGI concept	81,796	706,494	81,595	681,501	201	24,993	97,693	669,284	97,596	653,851	97	15,434
Investment interest exceeding investment income per alternative income concept	81,796	706,494	81,595	681,501	201	24,993	96,451	584,444	96,355	569,783	96	14,661
Medical and dental expense deduction	6,132	135,430	6,117	134,149	15	1,281	11,219	178,459	11,172	177,413	47	1,046
Net casualty or theft loss deduction	538	47,846	511	38,724	27	9,122	837	47,039	813	38,118	24	8,921
Taxes paid deduction	196,502	6,162,792	196,189	6,152,696	313	10,095	244,096	6,704,097	243,802	6,698,091	294	6,006
Miscellaneous deductions	168,529	1,346,761	168,270	1,329,543	259	17,219	208,538	1,501,969	208,257	1,476,815	281	25,155
Excess itemized deductions	196,523	17,115,854	196,203	16,911,384	320	204,470	243,967	18,202,312	243,668	18,100,833	299	101,479
Zero bracket amount	198,608	644,105	198,287	643,079	321	1,027	249,319	806,901	248,882	805,630	437	1,272
Excess of exemptions and deductions over AGI	980	133,925	683	73,781	297	60,144	2,719	386,518	2,334	327,488	385	59,030
Taxable income:												
As computed under current law	197,726	70,035,177	197,686	70,033,842	40	1,335	246,655	75,723,484	246,593	75,720,063	62	3,421
As computed under prior law	197,628	69,394,027	197,604	69,392,792	24	1,236	246,600	74,925,222	246,548	74,921,923	52	3,299
Tax at normal rates	197,628	32,036,490	197,604	32,036,048	24	442	246,600	34,171,498	246,548	34,170,160	52	1,338
Tax savings	38,625	261,364	38,619	261,237	6	127	63,156	377,531	63,115	376,862	*41	*669
Income tax before credits	197,632	31,875,787	197,608	31,875,472	24	315	246,615	33,925,977	246,563	33,925,308	52	670
Tax credits:												
Total	147,514	916,513	147,490	916,198	24	315	179,871	1,002,129	179,819	1,001,460	52	670
Foreign tax credit	—	—	—	—	—	—	—	—	—	—	—	—
Investment credit	113,711	870,293	113,687	869,977	24	315	137,680	951,803	137,628	951,133	52	670
Jobs credit	3,345	20,221	3,345	20,221	—	—	3,919	21,687	3,919	21,687	—	—
Minimum tax reported on Form 1040	98	3,810	98	3,810	—	—	436	7,327	436	7,327	—	—
Alternative minimum tax reported on Form 1040	24,965	955,102	24,965	955,102	—	—	53,838	1,566,405	53,838	1,566,405	—	—
Total income tax:												
Taxes paid to the U.S.	198,287	31,918,185	198,287	31,918,185	—	—	248,882	34,497,580	248,882	34,497,580	—	—
Foreign taxes paid	24,216	182,736	24,216	182,736	—	—	28,195	187,228	28,195	187,228	—	—
Taxable income which would yield:												
Income tax before credits	197,632	69,117,112	197,608	69,116,127	24	986	246,615	74,481,334	246,563	74,479,283	52	2,051
Income tax after credits	197,089	67,253,968	197,089	67,253,968	—	—	244,925	72,404,422	244,925	72,404,422	—	—
Total income tax	198,287	69,230,050	198,287	69,230,050	—	—	248,882	75,749,857	248,882	75,749,857	—	—

*Estimate should be used with caution because of the small number of sample returns on which it is based.
†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

Table 7 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect: Total		Interest paid deduction		Taxes paid deduction		Contributions deduction		Medical and dental expense deduction	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Returns With Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**198,161**	**100.0**	**56,190**	**28.4**	**91,173**	**46.0**	**28,371**	**14.3**	**1,763**	**0.9**
Interest paid deduction	51,267	25.9	—	—	38,597	42.3	6,248	22.0	136	7.7
Taxes paid deduction	63,559	32.1	36,801	65.5	—	—	16,731	59.0	1,094	62.1
Contributions deduction	45,360	22.9	9,054	16.1	33,088	36.3	—	—	246	14.0
Medical and dental expense deduction	1,282	0.6	106	0.2	475	0.5	302	1.1	—	—
Net casualty or theft loss deduction	75	( )	31	0.1	38	( )	5	( )	—	—
Miscellaneous deductions	18,737	9.5	4,160	7.4	11,475	12.6	2,394	8.4	260	14.7
Foreign tax credit	1,111	0.6	300	0.5	486	0.5	300	1.1	†	†
Investment credit	13,916	7.0	4,686	8.3	6,710	7.4	2,301	8.1	†	†
Jobs credit	210	0.1	37	0.1	29	( )	50	0.2	—	—
No second largest item	2,644	1.3	1,015	1.8	275	0.3	40	0.1	—	—
Returns with expanded income $200,000 or more										
Total	**248,740**	**100.0**	**68,401**	**27.5**	**112,375**	**45.2**	**36,018**	**14.5**	**2,541**	**1.0**
Interest paid deduction	63,136	25.4	—	—	44,947	40.0	7,936	22.0	306	12.0
Taxes paid deduction	78,294	31.5	44,863	65.6	—	—	20,830	57.8	1,322	52.0
Contributions deduction	56,105	22.6	10,196	14.9	42,073	37.4	—	—	343	13.5
Medical and dental expense deduction	2,248	0.9	139	0.2	730	0.6	829	2.3	—	—
Net casualty or theft loss deduction	76	( )	31	( )	39	( )	5	( )	—	—
Miscellaneous deductions	24,011	9.7	4,775	7.0	15,252	13.6	2,998	8.3	504	19.8
Foreign tax credit	1,420	0.6	307	0.4	644	0.6	301	0.8	1	( )
Investment credit	16,215	6.5	4,332	6.3	8,327	7.4	2,954	8.2	65	2.6
Jobs credit	279	0.1	64	0.1	29	( )	50	0.1	—	—
No second largest item	6,956	2.8	3,694	5.4	334	0.3	115	0.3	—	—
Returns Without Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**447**	**100.0**	**271**	**60.6**	**3**	**0.7**	**10**	**2.2**	**4**	**0.9**
Interest paid deduction	76	17.0	—	—	†	†	†	†	—	—
Taxes paid deduction	144	32.2	123	45.4	—	—	†	†	—	—
Contributions deduction	118	26.4	101	37.3	†	†	—	—	†	†
Medical and dental expense deduction	3	0.7	†	†	—	—	†	†	—	—
Net casualty or theft loss deduction	3	0.7	3	1.1	—	—	—	—	—	—
Miscellaneous deductions	36	8.1	30	11.1	—	—	—	—	†	†
Foreign tax credit	7	1.6	6	2.2	†	†	—	—	—	—
Investment credit	7	1.6	5	1.8	—	—	†	†	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	53	11.9	†	†	—	—	—	—	—	—
Returns with expanded income $200,000 or more										
Total	**579**	**100.0**	**273**	**47.2**	**4**	**0.7**	**8**	**1.4**	**4**	**0.7**
Interest paid deduction	183	31.6	—	—	1	25.0	5	62.5	—	—
Taxes paid deduction	90	15.5	49	17.9	—	—	1	12.5	—	—
Contributions deduction	82	14.2	65	23.8	2	50.0	—	—	2	50.0
Medical and dental expense deduction	1	0.2	—	—	—	—	1	12.5	—	—
Net casualty or theft loss deduction	2	0.3	2	0.7	—	—	—	—	—	—
Miscellaneous deductions	22	3.8	17	6.2	—	—	—	—	2	50.0
Foreign tax credit	3	0.5	2	0.7	1	25.0	—	—	—	—
Investment credit	3	0.5	1	0.4	—	—	1	12.5	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	193	33.3	137	50.2	—	—	—	—	—	—

Footnote(s) at end of table.

Table 7 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect — Continued

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect — Continued									
	Net casualty or theft loss deduction		Miscellaneous deductions		Foreign tax credit		Investment credit		Jobs credit	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Return With Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**131**	**0.1**	**5,947**	**3.0**	**1,551**	**0.8**	**12,792**	**6.5**	**243**	**0.1**
Interest paid deduction	93	71.0	1,639	27.6	587	37.8	3,848	30.1	119	49.0
Taxes paid deduction	9	6.9	3,065	51.5	521	33.6	5,324	41.6	14	5.8
Contributions deduction	23	17.6	919	15.5	69	4.4	1,951	15.3	†	†
Medical and dental expense deduction	—	—	236	4.0	138	8.9	24	0.2	†	†
Net casualty or theft loss deduction	—	—	†	†	—	—	—	—	—	—
Miscellaneous deductions	6	4.6	—	—	99	6.4	343	2.7	—	—
Foreign tax credit	—	—	5	0.1	—	—	19	0.1	—	—
Investment credit	—	—	77	1.3	18	1.2	—	—	98	40.3
Jobs credit	—	—	—	—	—	—	94	0.7	—	—
No second largest item	—	—	†	†	119	7.7	1,189	9.3	†	†
Returns with expanded income $200,000 or more										
Total	**114**	**( )**	**8,030**	**3.2**	**1,906**	**0.8**	**19,020**	**7.6**	**335**	**0.1**
Interest paid deduction	75	65.8	2,208	27.5	574	30.1	6,997	36.8	93	27.8
Taxes paid deduction	10	8.8	4,084	50.9	701	36.8	6,452	33.9	32	9.6
Contributions deduction	23	20.2	1,048	13.1	70	3.7	2,346	12.3	6	1.8
Medical and dental expense deduction	—	—	387	4.8	138	7.2	24	0.1	1	0.3
Net casualty or theft loss deduction	—	—	1	( )	—	—	—	—	—	—
Miscellaneous deductions	6	5.3	—	—	121	6.3	355	1.9	—	—
Foreign tax credit	—	—	5	0.1	—	—	162	0.9	—	—
Investment credit	—	—	292	3.6	43	2.3	—	—	202	60.3
Jobs credit	—	—	—	—	—	—	136	0.7	—	—
No second largest item	—	—	5	0.1	259	13.6	2,548	13.4	1	0.3
Returns Without Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**23**	**5.1**	**17**	**3.8**	**115**	**25.7**	**4**	**0.9**	**—**	**—**
Interest paid deduction	17	73.9	7	41.2	42	36.5	†	†	—	—
Taxes paid deduction	†	†	5	29.4	10	8.7	†	†	—	—
Contributions deduction	†	†	†	†	12	10.4	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions	†	†	—	—	3	2.6	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	†	†	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	†	†	48	41.7	†	†	—	—
Returns with expanded income $200,000 or more										
Total	**22**	**3.8**	**91**	**15.7**	**137**	**23.7**	**40**	**6.9**	**—**	**—**
Interest paid deduction	16	72.7	81	89.0	41	29.9	39	97.5	—	—
Taxes paid deduction	4	18.2	5	5.5	31	22.6	—	—	—	—
Contributions deduction	1	4.5	1	1.1	11	8.0	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions	1	4.5	—	—	2	1.5	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	1	1.1	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	3	3.3	52	38.0	1	2.5	—	—

( )Less than 0.05 percent.
†Data deleted to avoid dislosure of information of specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 8 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect: Total		Interest paid deduction		Taxes paid deduction		Contributions deduction		Medical and dental expense deduction	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Returns With Modified Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**198,287**	**100.0**	**56,994**	**28.7**	**91,706**	**46.2**	**28,452**	**14.3**	**1,901**	**1.0**
Interest paid deduction	51,421	25.9	—	—	39,220	42.8	6,289	22.1	136	7.2
Taxes paid deduction	64,293	32.4	37,577	65.9	—	—	17,028	59.8	1,233	64.9
Contributions deduction	45,583	23.0	9,137	16.0	33,290	36.3	—	—	246	12.9
Medical and dental expense deduction	1,147	0.6	107	0.2	475	0.5	303	1.1	—	—
Net casualty or theft loss deduction	76	( )	31	0.1	38	( )	5	( )	—	—
Miscellaneous deductions	18,905	9.5	4,224	7.4	11,642	12.7	2,430	8.5	260	13.7
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	13,940	7.0	4,694	8.2	6,735	7.3	2,307	8.1	26	1.4
Jobs credit	210	0.1	37	0.1	29	( )	50	0.2	—	—
No second largest item	2,712	1.4	1,187	2.1	277	0.3	40	0.1	—	—
Returns with expanded income $200,000 or more										
Total	**248,882**	**100.0**	**69,330**	**27.9**	**113,109**	**45.4**	**36,099**	**14.5**	**2,679**	**1.1**
Interest paid deduction	63,354	25.5	—	—	45,592	40.3	7,976	22.1	306	11.4
Taxes paid deduction	78,864	31.7	45,655	65.9	—	—	21,128	58.5	1,461	54.5
Contributions deduction	56,443	22.7	10,257	14.8	42,412	37.5	—	—	343	12.8
Medical and dental expense deduction	2,112	0.8	140	0.2	730	0.6	830	2.3	—	—
Net casualty or theft loss deduction	77	( )	31	( )	39	( )	5	( )	—	—
Miscellaneous deductions	24,220	9.7	4,838	7.0	15,482	13.7	3,035	8.4	504	18.8
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	16,348	6.6	4,337	6.3	8,489	7.5	2,960	8.2	65	2.4
Jobs credit	280	0.1	64	0.1	29	( )	50	0.1	—	—
No second largest item	7,184	2.9	4,008	5.8	336	0.3	115	0.3	—	—
Returns Without Modified Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**321**	**100.0**	**263**	**81.9**	†	†	**10**	**3.1**	†	†
Interest paid deduction	34	10.6	—	—	†	†	†	†	—	—
Taxes paid deduction	131	40.8	121	46.0	—	—	†	†	—	—
Contributions deduction	105	32.7	101	38.4	—	—	—	—	†	†
Medical and dental expense deduction	3	0.9	†	†	—	—	†	†	—	—
Net casualty or theft loss deduction	†	†	†	†	—	—	—	—	—	—
Miscellaneous deductions	33	10.3	30	11.4	—	—	—	—	†	†
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	7	2.2	5	1.9	—	—	†	†	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	†	†	†	†	—	—	—	—	—	—
Returns with expanded income $200,000 or more										
Total	**437**	**100.0**	**270**	**61.8**	**2**	**0.5**	**8**	**1.8**	**4**	**0.9**
Interest paid deduction	142	32.5	—	—	1	50.0	5	62.5	—	—
Taxes paid deduction	58	13.3	48	17.8	—	—	1	12.5	—	—
Contributions deduction	70	16.0	65	24.1	1	50.0	—	—	2	50.0
Medical and dental expense deduction	1	0.2	—	—	—	—	1	12.5	—	—
Net casualty or theft loss deduction	2	0.5	2	0.7	—	—	—	—	—	—
Miscellaneous deductions	20	4.6	17	6.3	—	—	—	—	2	50.0
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	3	0.7	1	0.4	—	—	1	12.5	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	141	32.3	137	50.7	—	—	—	—	—	—

Footnote(s) at end of table.

Table 8 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect — Continued

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect — Continued									
	Net casualty or theft loss deduction		Miscellaneous deductions		Foreign tax credit		Investment credit		Jobs credit	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Returns With Modified Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**131**	**0.1**	**6,049**	**3.1**	—	—	**12,811**	**6.5**	**243**	**0.1**
Interest paid deduction	93	71.0	1,708	28.2	—	—	3,856	30.1	119	49.0
Taxes paid deduction	9	6.9	3,096	51.2	—	—	5,336	41.7	14	5.8
Contributions deduction	23	17.6	923	15.3	—	—	1,955	15.3	†	†
Medical and dental expense deduction	—	—	236	3.9	—	—	†	†	†	†
Net casualty or theft loss deduction	—	—	†	†	—	—	†	†	—	—
Miscellaneous deductions	6	4.6	—	—	—	—	343	2.7	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	80	1.3	—	—	—	—	98	40.3
Jobs credit	—	—	—	—	—	—	94	0.7	—	—
No second largest item	—	—	†	†	—	—	1,202	9.4	†	†
Returns with expanded income $200,000 or more										
Total	**114**	**( )**	**8,153**	**3.3**	—	—	**19,063**	**7.7**	**335**	**0.1**
Interest paid deduction	75	65.3	2,298	28.2	—	—	7,014	36.8	93	27.8
Taxes paid deduction	10	8.8	4,115	50.5	—	—	6,463	33.9	32	9.6
Contributions deduction	23	20.2	1,052	12.9	—	—	2,350	12.3	6	1.8
Medical and dental expense deduction	—	—	387	4.7	—	—	24	0.1	1	0.3
Net casualty or theft loss deduction	—	—	1	( )	—	—	1	( )	—	—
Miscellaneous deductions	6	5.3	—	—	—	—	355	1.9	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	295	3.6	—	—	—	—	202	60.3
Jobs credit	—	—	—	—	—	—	137	0.7	—	—
No second largest item	—	—	5	0.1	—	—	2,719	14.3	1	0.3
Returns Without Modified Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**23**	**7.2**	**17**	**5.3**	—	—	**3**	**0.9**	—	—
Interest paid deduction	17	73.9	7	41.2	—	—	†	†	—	—
Taxes paid deduction	†	†	5	29.4	—	—	—	—	—	—
Contributions deduction	†	†	†	†	—	—	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions	†	†	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	†	†	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	†	†	—	—	†	†	—	—
Returns with expanded income $200,000 or more										
Total	**22**	**5.0**	**91**	**20.8**	—	—	**40**	**9.2**	—	—
Interest paid deduction	16	72.7	81	89.0	—	—	39	97.5	—	—
Taxes paid deduction	4	18.2	5	5.5	—	—	—	—	—	—
Contributions deduction	1	4.5	1	1.1	—	—	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions	1	4.[illegible]	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	1	1.1	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	3	3.3	—	—	1	2.5	—	—

( )Less than 0.05 percent.
†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 9 — Returns Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Itemized Deductions as a Percent of Income

(All figures are estimates based on samples)

Type of deduction or credit	Returns with adjusted gross income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total itemized deductions	447	45	53	9	7	2	3	4	5	34	285
Interest paid deduction:											
Total	447	59	79	17	9	8	10	8	9	89	159
Investment interest per income concept	447	82	109	23	19	15	16	21	15	83	64
Investment interest exceeding investment income per concept	447	210	126	21	20	16	9	3	3	26	13
Taxes paid deduction	447	58	321	44	12	4	4	†	†	†	—
Contributions deduction	447	93	256	37	11	16	24	10	—	—	—
Medical and dental expenses deduction	447	426	13	†	—	†	†	—	—	3	†
Net casualty or theft loss deduction	447	420	†	—	†	—	†	†	†	7	12
Miscellaneous deductions	447	119	276	22	6	†	†	†	5	7	7
Deduction equivalent of:											
Total credits	447	297	14	3	6	5	†	7	†	109	†
Foreign tax credit	447	321	†	†	†	4	3	5	—	108	†
Investment credit	447	418	17	3	4	†	—	†	†	†	—
Jobs credit	447	447	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income	447	95	258	31	22	7	5	†	†	8	15

Type of deduction or credit	Returns with expanded income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Total itemized deductions	579	187	133	12	5	42	79	10	1	15	95
Interest paid deduction:											
Total	579	290	165	16	42	4	6	4	1	22	29
Investment interest per income concept	579	321	157	9	47	11	6	7	2	6	13
Investment interest exceeding investment income per concept	579	455	73	8	4	4	3	3	1	11	17
Taxes paid deduction	579	196	353	17	5	3	1	—	2	—	2
Contributions deduction	579	240	299	15	2	5	3	9	1	1	4
Medical and dental expenses deduction	579	527	46	2	—	—	—	—	—	3	1
Net casualty or theft loss deduction	579	555	—	—	1	—	—	2	1	10	10
Miscellaneous deductions	579	217	250	9	3	4	75	2	2	9	8
Deduction equivalent of:											
Total credits	579	385	46	1	3	5	25	7	3	104	—
Foreign tax credit	579	437	1	—	1	4	25	5	3	103	—
Investment credit	579	525	47	1	2	1	—	2	—	1	—
Jobs credit	579	579	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income	579	76	118	18	7	2	22	84	8	63	181

†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

Table 10 — Returns Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Itemized Deductions as a Percent of Income

(All figures are estimates based on samples)

Type of deduction or credit	Returns with adjusted gross income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total itemized deductions	321	†	†	—	†	—	—	†	†	†	285
Interest paid deduction:											
Total	321	10	18	13	6	5	7	7	8	88	159
Investment interest per income concept	321	24	51	19	17	13	16	20	14	83	64
Investment interest exceeding investment income per concept	321	120	94	20	18	15	9	3	3	26	13
Taxes paid deduction	321	8	255	38	10	†	4	†	†	†	—
Contributions deduction	321	31	198	31	11	16	24	10	—	—	—
Medical and dental expenses deduction	321	306	7	†	—	†	†	—	—	3	†
Net casualty or theft loss deduction	321	294	†	—	†	—	†	†	†	7	12
Miscellaneous deductions	321	62	211	19	5	†	†	†	5	7	7
Deduction equivalent of:											
Total credits	321	297	13	3	4	†	—	†	—	†	—
Foreign tax credit	321	321	—	—	—	—	—	—	—	—	—
Investment credit	321	297	13	3	4	†	—	†	—	†	—
Jobs credit	321	321	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income	321	51	189	25	22	6	5	†	†	7	11

Type of deduction or credit	Returns with expanded income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Total itemized deductions	437	138	58	5	2	40	77	7	1	14	95
Interest paid deduction:											
Total	437	200	120	12	39	4	6	4	1	22	29
Investment interest per income concept	437	237	106	9	43	10	5	7	1	6	13
Investment interest exceeding investment income per concept	437	341	48	7	2	4	3	3	1	11	17
Taxes paid deduction	437	143	270	15	3	2	1	—	1	—	2
Contributions deduction	437	155	246	11	2	5	3	9	1	1	4
Medical and dental expenses deduction	437	390	41	2	—	—	—	—	—	3	1
Net casualty or theft loss deduction	437	413	—	—	1	—	—	2	1	10	10
Miscellaneous deductions	437	156	173	6	2	4	75	2	2	9	8
Deduction equivalent of:											
Total credits	437	385	45	1	2	1	—	2	—	1	—
Foreign tax credit	437	437	—	—	—	—	—	—	—	—	—
Investment credit	437	385	45	1	2	1	—	2	—	1	—
Jobs credit	437	437	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income	437	35	51	12	6	2	—	79	8	63	181

†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

Table 11 — Returns With and Without Total Income Tax: Number of Returns and Percents Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Effective Tax Rate	Size of adjusted gross income					Size of expanded income				
	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	**96,321,310**	**91,086,723**	**4,414,028**	**621,951**	**198,608**	**96,321,310**	**90,906,700**	**4,477,515**	**687,776**	**249,319**
Returns without total income tax:										
Number of returns	16,900,025	16,879,602	17,792	2,184	447	16,900,025	16,878,147	18,643	2,656	579
Percent of total	17.5	18.5	0.4	0.4	0.2	17.5	18.6	0.4	0.4	0.2
Returns with total income tax:										
Number of returns	79,421,285	74,207,121	4,396,236	619,767	198,161	79,421,285	74,028,553	4,458,872	685,120	248,740
Percent of total	82.5	81.5	99.6	99.6	99.8	82.5	81.4	99.6	99.6	99.8
Effective tax rate:										
Under 5 percent										
Number of returns	14,836,903	14,774,453	55,343	5,658	1,449	14,997,424	14,915,239	75,023	5,919	1,243
Percent of total	15.4	16.2	1.3	0.9	0.7	15.6	16.4	1.7	0.9	0.5
5 under 10 percent										
Number of returns	25,724,147	25,535,349	173,997	13,209	1,592	25,873,852	25,577,373	270,867	23,300	2,312
Percent of total	26.7	28.0	3.9	2.1	0.8	26.9	28.1	6.0	3.4	0.9
10 under 15 percent										
Number of returns	25,318,863	24,591,169	695,043	28,846	3,805	25,252,495	24,416,954	739,764	82,557	13,220
Percent of total	26.3	27.0	15.7	4.6	1.9	26.2	26.9	16.5	12.0	5.3
15 under 20 percent										
Number of returns	10,018,278	8,240,311	1,711,125	58,980	7,862	10,051,495	8,129,265	1,756,832	104,937	60,461
Percent of total	10.4	9.0	38.8	9.5	4.0	10.4	8.9	39.2	15.3	24.3
20 under 25 percent										
Number of returns	2,399,311	953,670	1,311,306	122,938	11,397	2,300,291	896,024	1,241,341	133,381	29,545
Percent of total	2.5	1.0	29.7	19.8	5.7	2.4	1.0	27.7	19.4	11.9
25 under 30 percent										
Number of returns	658,492	83,710	362,006	190,744	22,032	603,231	73,067	321,394	179,468	29,302
Percent of total	0.7	0.1	8.2	30.7	11.1	0.6	0.1	7.2	26.1	11.8
30 under 35 percent										
Number of returns	260,197	6,367	69,142	143,516	41,172	207,789	4,326	47,197	117,190	39,076
Percent of total	0.3	( )	1.6	23.1	20.7	0.2	( )	1.1	17.0	15.7
35 under 40 percent										
Number of returns	121,192	3,740	10,954	46,229	60,269	88,237	2,361	4,572	34,061	47,243
Percent of total	0.1	( )	0.2	7.4	30.3	0.1	( )	0.1	5.0	18.9
40 under 45 percent										
Number of returns	52,637	6,890	1,902	6,247	37,598	32,304	6,031	195	3,430	22,648
Percent of total	0.1	( )	( )	1.0	18.9	( )	( )	( )	0.5	9.1
45 under 50 percent										
Number of returns	14,572	1,994	2,041	1,572	8,965	5,610	1,930	1,019	268	3,393
Percent of total	( )	( )	( )	0.3	4.5	( )	( )	( )	( )	1.4
50 under 60 percent										
Number of returns	7,811	3,991	1,599	900	1,321	3,334	3,043	4	171	116
Percent of total	( )	( )	( )	0.1	0.7	( )	( )	( )	( )	( )
60 under 70 percent										
Number of returns	2,254	1,231	372	308	343	525	1	137	247	140
Percent of total	( )	( )	( )	( )	0.2	( )	( )	( )	( )	0.1
70 under 80 percent										
Number of returns	1,469	442	461	398	168	193	—	1	171	21
Percent of total	( )	( )	( )	0.1	0.1	( )	—	( )	( )	( )
80 percent or more										
Number of returns	5,159	3,804	945	222	188	3,505	2,939	526	20	20
Percent of total	( )	( )	( )	( )	0.1	( )	( )	( )	( )	( )

( )Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.

Table 12 — Returns With and Without Modified Total Income Tax: Number of Returns and Percents Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Effective Tax Rate	Size of adjusted gross income					Size of expanded income				
	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	**96,321,310**	**91,086,723**	**4,414,028**	**621,951**	**198,608**	**96,321,310**	**90,906,700**	**4,477,515**	**687,776**	**249,319**
Returns without modified total income tax:										
Number of returns	16,870,395	16,852,742	15,726	1,606	321	16,870,395	16,851,267	16,598	2,093	437
Percent of total	17.5	18.5	0.4	0.3	0.2	17.5	18.5	0.4	0.3	0.2
Returns with modified total income tax:										
Number of returns	79,450,915	74,233,981	4,398,302	620,345	198,287	79,450,915	74,055,433	4,460,917	685,683	248,882
Percent of total	82.5	81.5	99.6	99.7	99.8	82.5	81.5	99.6	99.7	99.8
Effective tax rate:										
Under 5 percent										
Number of returns	14,824,546	14,766,473	52,276	4,732	1,065	14,985,074	14,907,214	71,980	5,068	812
Percent of total	15.4	16.2	1.2	0.8	0.5	15.6	16.4	1.6	0.7	0.3
5 under 10 percent										
Number of returns	25,725,778	25,541,171	170,810	12,445	1,352	25,875,690	25,583,503	267,886	22,347	1,954
Percent of total	26.7	28.0	3.9	2.0	0.7	26.9	28.1	6.0	3.2	0.8
10 under 15 percent										
Number of returns	25,331,398	24,605,311	694,438	28,176	3,473	25,263,955	24,430,872	738,610	81,709	12,764
Percent of total	26.3	27.0	15.7	4.5	1.7	26.2	26.9	16.5	11.9	5.1
15 under 20 percent										
Number of returns	10,026,749	8,251,390	1,709,725	58,012	7,622	10,060,485	8,139,566	1,755,522	104,774	60,623
Percent of total	10.4	9.1	38.7	9.3	3.8	10.4	9.0	39.2	15.2	24.3
20 under 25 percent										
Number of returns	2,404,056	955,911	1,314,590	122,356	11,199	2,306,647	899,521	1,245,331	132,701	29,094
Percent of total	2.5	1.0	29.8	19.7	5.6	2.4	1.0	27.8	19.3	11.7
25 under 30 percent										
Number of returns	665,108	85,085	366,506	191,709	21,808	609,682	73,967	326,027	180,422	29,266
Percent of total	0.7	0.1	8.3	30.8	11.0	0.6	0.1	7.3	26.2	11.7
30 under 35 percent										
Number of returns	264,239	6,411	71,023	145,214	41,591	210,780	4,348	48,555	118,489	39,388
Percent of total	0.3	( )	1.6	23.3	20.9	0.2	( )	1.1	17.2	15.8
35 under 40 percent										
Number of returns	123,449	3,877	11,614	47,181	60,777	90,592	2,361	5,124	35,151	47,956
Percent of total	0.1	( )	0.3	7.6	30.6	0.1	( )	0.1	5.1	19.2
40 under 45 percent										
Number of returns	54,157	6,890	1,902	7,098	38,267	33,587	6,031	195	4,102	23,259
Percent of total	0.1	( )	( )	1.1	19.3	( )	( )	( )	0.6	9.3
45 under 50 percent										
Number of returns	14,691	1,973	2,041	1,594	9,083	6,820	2,046	1,019	311	3,444
Percent of total	( )	( )	( )	0.3	4.6	( )	( )	( )	( )	1.4
50 under 60 percent										
Number of returns	7,858	4,012	1,599	899	1,348	3,379	3,064	4	171	140
Percent of total	( )	( )	( )	0.1	0.7	( )	( )	( )	( )	0.1
60 under 70 percent										
Number of returns	2,256	1,231	372	307	346	526	1	137	247	141
Percent of total	( )	( )	( )	( )	0.2	( )	( )	( )	( )	0.1
70 under 80 percent										
Number of returns	1,469	442	461	399	167	193	—	1	171	21
Percent of total	( )	( )	( )	0.1	0.1	( )	—	( )	( )	( )
80 percent or more										
Number of returns	5,161	3,804	945	223	189	3,505	2,939	526	20	20
Percent of total	( )	( )	( )	( )	0.1	( )	( )	( )	( )	( )

( )Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.